

January 23, 2006
Magha 3, 1927 (S)

**The Chairmen & CEOs of All Scheduled Commercial Banks
(excluding RRBs)**

Dear Sir,

Section 23 of the Banking Regulation Act, 1949 - Branch Authorisation Policy

Please refer to our Master Circular DBOD.No.BL.BC. 36/ 22.01.001/ 2005 dated September 8, 2005, on branch authorisation.

2. In terms of the extant instructions, banks are required to approach Department of Banking Operations & Development, Central Office (DBOD, CO) with proposal for opening of branches, as defined in paragraph 3 of the Master Circular. In terms of the new branch authorisation policy, banks will not be required to approach Regional Offices of Reserve Bank of India for “licence”. Banks are advised to follow the undermentioned procedure scrupulously, in order to comply with the requirements of Section 23 of Banking Regulation Act, 1949.

3. Banks should submit proposals for opening of all types of branches, including satellite offices, accompanied by Form VI. However, Form VI need not be submitted for opening of off-site ATMs, administrative / controlling offices, credit card centres and back offices / processing centres. A consolidated letter of authorization / permission will be issued by DBOD, CO containing names of all the centres / locations etc., where the branches are proposed to be opened.

4. Banks may proceed with opening of a “branch” which includes all types of offices and off-site ATMs at centres for which permission has been granted in the consolidated letter of authorization / permission issued to them in this regard. No separate permission is required for an on-site ATM that is opened within a branch. After a branch has been opened, banks should immediately report the complete address and the date of opening of the branch to the Regional Office concerned of Reserve Bank.

5. Banks should submit details of branches opened / closed / shifted etc, on a quarterly basis, in Proforma I & II to DESACS, RBI, Mumbai and Regional Office concerned, as required in terms of our circular DBOD. NO. BL.BC. 92 / 22.06.001 / 2004-05 dated May 20, 2005. Further, it has been decided to collect data in respect of Authorised Dealer (AD) branches on an on - going basis. Banks should, therefore, submit returns in Proforma I & II, in respect of AD branches to DESACS and Regional Offices **on an on - going basis**.

6. The validity of authorization granted would be **one year** from the date of issue of the consolidated letter of authorization / permission issued to banks. Banks should take necessary steps to open the branches within the stipulated time. In case a bank is not able to open a particular branch due to any genuine reason, it can approach the Regional Office concerned of RBI for extension of time **not exceeding three months**. However, in such matters, banks will be required to furnish complete address of the proposed branch and reasons for delay. At centres where a bank fails to open a branch within the validity period of one year (or the extended time of three months, as the case may be), the permission granted would automatically lapse and no further extension would be granted. In case the bank is still interested in opening the branch at that centre, it should include the same in the next annual plan.

7. In terms of paragraphs 4 & 6 of our Master Circular on branch authorisation policy, all specific proposals relating to opening, closing and shifting of all categories of branches, including off-site ATMs, are required to be included in Annex II, while submitting the annual plan to Reserve Bank. It is clarified that the consolidated authorisation / permission letter will be issued only for opening of new branches. The under mentioned procedure may be followed in respect of shifting of existing branches, conversion from one type to the other and mergers.

7.1. Shifting of Branch

(i) Banks have been given freedom to shift a branch to any location **within the centre** without seeking prior approval from RBI in terms of para 9 of the Master Circular dated September 8, 2005. Banks should ensure that the new address is communicated to the Regional Office concerned after the branch starts functioning from the new address/ location. No amendment in licence would be required in such cases. The Regional Office concerned will confirm in writing, having taken on record the new address / location.

(ii) Banks have also been given freedom to shift a branch to any other centre within that State, subject to certain conditions stated in para 9.2 of the Master Circular *ibid*. Banks may ensure that

before shifting an existing branch from one centre to another or from a centre allotted in the annual plan to another centre, an amendment letter is obtained from DBOD, CO. In case the bank was issued a licence for that branch in terms of the earlier policy, the same may be got amended from the Regional Office concerned before shifting.

7.2. Conversion of Specialised Branch

Banks may convert a specialised branch into another category of specialised branch or a general banking branch at their discretion in terms of para 11.2 of the Master Circular *ibid*. However, it may be ensured that details thereof are advised to the Regional Office concerned promptly after the conversion. No amendment in "licence" would be required. The Regional Office concerned will confirm having taken on record the new nomenclature of the branch.

7.3. Conversion of Extension Counter into a Full-fledged Branch

In terms of para 11.1 of the Master Circular *ibid*, banks have been given the freedom to convert their existing Extension Counters into full-fledged branches and re-locate them within that centre. While no permission from Reserve Bank will be required in this regard, banks should ensure that the respective licences of Extension Counters are submitted to the Regional Office concerned and got amended suitably. The Regional Offices will return the amended licence to the concerned bank for its record.

7.4 Conversion of Rural Branch into Satellite Office

Conversion of rural branch into a satellite office is generally not favoured. However, in exceptional cases, proposals for conversion of rural branches into satellite offices should be submitted along with the Annual Plan after obtaining the approval of District Consultative Committee (DCC). After receiving approval from DBOD, CO, licence if any, should be surrendered to the Regional Office concerned for suitable amendment.

7.5 Merger of Rural Branch

Proposals for merger of rural branches should be submitted along with the annual plan after obtaining the approval of DCC. If the proposal is approved by us, the date of merger should be reported to the Regional Office concerned and the licence of the branch should be surrendered for cancellation.

8. Notwithstanding the above, banks may approach RBI for any urgent proposals regarding opening of branches, especially in rural / underbanked areas, anytime during the year, in addition to the approvals given under the annual plan.

9. Banks have been approaching us for clarifications in regard to certain provisions of the branch authorisation policy announced vide our Master Circular cited above. All such clarifications have been posted on the Mail Box (www.rbi.org.in/dbodmailbox).

Yours faithfully,

(P. Vijaya Bhaskar)
Chief General Manager